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TAGS: AR, PINS, ECON

SUBJECT: ARGENTINA: JUNTA ATTACKS TERRORISM AND  
ECONOMIC PROBLEMS

NOT RELEASABLE TO FOREIGN NATIONALS/NOT RELEASABLE TO  
CONTRACTORS OR CONTRACTOR-CONSULTANTS/WARNING NOTICE:  
SENSITIVE INTELLIGENCE SOURCES AND METHODS INVOLVED

1. FOLLOWING IS TEXT OF INR REPORT NO. 384 "ARGENTINA:  
JUNTA ATTACKS TERRORISM AND ECONOMIC PROBLEMS" DATED  
APRIL 5, 1976:

2. THE EASE WITH WHICH ARGENTINA'S MILITARY JUNTA ASSUMED  
POWER BELIES THE INTRACTABLE NATURE OF THE PROBLEMS IT NOW  
FACES. THE GOVERNMENT'S PRIORITY CONCERNS--CONTROLLING  
TERRORIST VIOLENCE AND STIMULATING ECONOMIC RECOVERY--ARE  
TASKS THAT WILL SEVERELY TEST ITS SKILLS AND RESOURCES.  
THE JUNTA CHIEF, GEN. JORGE R. VIDELA, HAS EXPLICITLY  
WARNED THE NATION NOT TO EXPECT MIRACLE SOLUTIONS; BUT  
EVEN IF ARGENTINES DISPLAY AN UNUSUAL MEASURE OF PATIENCE,  
THE JUNTA'S CHANCES OF GOVERNING SUCCESSFULLY CANNOT BE  
CONSIDERED BETTER THAN FAIR.

3. TERRORIST CHALLENGE: SUSTAINED, HIGH-LEVEL TERRORIST  
VIOLENCE IS THE MOST SPECTACULAR LEGACY OF MRS. PERON'S  
PRESIDENCY. BOTH THE LEFT AND THE RIGHT HAVE CONTRIBUTED  
TO THE CARNAGE. THE LEFT IS REPRESENTED PRIMARILY BY THE  
NOMINALLY-PERONIST MONTONEROS AND THE MARXIST-LENINIST  
ERP (PEOPLE'S REVOLUTIONARY ARMY), AND THE RIGHT PRI-  
MARILY BY POLICE, MILITARY, AND LABOR ELEMENTS LOOSELY  
ORGANIZED IN DEATH SQUADS. UNDER PERON, THE SECURITY  
FORCES, INCLUDING THE MILITARY, WERE TOO FREQUENTLY  
INACTIVE AGAINST THE RIGHT AND INEFFECTIVE AGAINST THE  
LEFT.

4. THE JUNTA'S DETERMINATION TO HALT THE VIOLENCE IS  
EVIDENT IN THE PREPONDERANCE OF ANTI-TERRORIST MEASURES  
AMONG ITS EARLY DECREES. UNENCUMBERED BY EXECUTIVE AND  
LEGISLATIVE RESTRICTIONS, THE JUNTA HAS INSTITUTED THE  
MEASURES IT CONSIDERS ESSENTIAL TO COMBAT SUBVERSION:

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(A)--MILITARY TRIALS AND HARSH PENALTIES, INCLUDING DEATH, FOR SABOTAGE AND SUBVERSION;

(B)--THE FIRING OF MANY SENIOR JUDGES AND OF ALL CIVIL SERVANTS SUSPECTED OF TERRORIST LINKS;

(C)--THE BANNING OF FIVE LEFT-WING PARTIES THAT ADVOCATE VIOLENT POLITICAL TACTICS; AND REPORTEDLY

(D)--A REVIEW OF COMMUNIST-COUNTRY DIPLOMATIC DELEGATIONS WITH A VIEW TO HALTING SUSPECTED TERRORIST-SUPPORT ACTIVITIES BY THE CUBANS AND/OR OTHERS.

5. TERRORISM FROM THE RIGHT WILL BE MORE SUSCEPTIBLE TO CONTROL THAN THAT FROM THE LEFT BECAUSE RIGHT-WING OPERATIVES FREQUENTLY HAVE BEEN ATTACHED TO GROUPS NOW DIRECTLY UNDER MILITARY SUPERVISION--POLICE, LABOR UNIONS, GOVERNMENT MINISTRIES. IT IS IMPERATIVE THAT THE JUNTA SILENCE THE RIGHT-WINGERS IF IT IS TO AVOID OVERT IDENTIFICATION WITH THE EXTREME RIGHT AND, THEREBY, LOSE PUBLIC SUPPORT FOR ITS CAMPAIGN AGAINST THE LEFT.

6. THE ERP AND THE MONTONEROS WILL BE MORE DIFFICULT TARGETS, PARTICULARLY IF THEY DECIDE TO COORDINATE THEIR ACTIVITIES. RELIABLE FIGURES ARE UNAVAILABLE, BUT TOGETHER THE TWO ORGANIZATIONS PROBABLY CAN FIELD THOUSANDS OF COMBATANTS. THE MONTONEROS ARE MORE DANGEROUS BECAUSE THEY ARE NUMERICALLY SUPERIOR TO THE ERP, AND THEY ENJOY AT LEAST THE IDEOLOGICAL SUPPORT OF LEFT-WING PERONISTS, WHO ALLEGEDLY NUMBER 200,000-300,000.

7. FROM THE PERSPECTIVE OF THE TERRORIST LEFT, THE MILITARY COUP IS A VICTORY FOR ITS CAUSE. REPRESSIVE MILITARY RULE IS VIEWED AS THE NECESSARY PRECONDITION FOR THE MASSIVE POPULAR RESISTANCE THAT THE TERRORISTS BELIEVE WILL CULMINATE IN SEIZURE OF POWER BY THE REVOLUTIONARY LEFT. GIVEN THIS PERCEPTION OF EVENTS, THE ERP AND THE MONTONEROS CANNOT BE EXPECTED TO ALTER THEIR TACTICS. THEY MAY DECIDE TO CURB THEIR ACTIVITIES TEMPORARILY, PERHAPS TO WEATHER THE STORM OF THE MILITARY'S INITIAL ONSLAUGHT AND

[REDACTED]

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AWAIT THE ANTICIPATED FAILURE OF THE JUNTA'S ECONOMIC PROGRAM. HOWEVER, THEY ALMOST CERTAINLY BELIEVE THAT THEIR STRATEGY IS WORKING, AND THAT TIME IS THEIR ALLY.

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8. COMPLICATING MATTERS FOR THE JUNTA IS THE FACT THAT THE TERRORIST AND ECONOMIC PROBLEMS ARE CLOSELY LINKED. IF THE JUNTA CANNOT PUMP LIFE INTO THE ECONOMY IN THE NEXT COUPLE OF MONTHS, THE TERRORISTS WILL ENJOY MORE FERTILE RECRUITING GROUND AND, MORE IMPORTANTLY:

(A)--CONDITIONS WILL BE RIPE FOR EXPANDING THEIR INFLUENCE IN UNION CIRCLES, A PROCESS BEGUN DURING PERON'S TENURE; AND

(B)--THE SECURITY FORCES WILL FIND THE PUBLIC IN GENERAL LESS INCLINED TO AID IN THE COUNTERTERRORIST BATTLE.

9. ECONOMIC DIFFICULTIES: IN A TECHNICAL SENSE, THE MILITARY IS BETTER TRAINED AND EQUIPPED TO HANDLE THE TERRORIST PROBLEM THAN THE ECONOMIC DIFFICULTIES, BUT THE FATE OF GENERAL VIDELA'S GOVERNMENT WILL REST WITH ITS EFFORTS IN THE ECONOMIC SPHERE. THE ENORMITY OF THE PROBLEM IS REFLECTED IN THE ECONOMY'S STATISTICAL PROFILE:

(A)--INFLATION RUNNING AT OVER 400 PERCENT PER YEAR;

(B)--A FISCAL DEFICIT EXPECTED TO TOP 20 PERCENT OF THE GDP;

(C)--DECLINING INDUSTRIAL PRODUCTION AND INVESTMENT; AND

(D)--LARGE DEBT OBLIGATIONS FOR 1976, WITH MATURITIES HEAVILY BUNCHED IN MARCH AND APRIL.

10. ARGENTINA'S ECONOMIC DECLINE HAS BEEN ACCELERATING OVER THE LAST 18 MONTHS BECAUSE OF POLICIES TAILORED TO SATISFY THE BASIC CONSTITUENCY OF PERONIST GOVERNMENTS--ORGANIZED LABOR. CURRENT DIFFICULTIES CAN BE TRACED TO POST-1973 PERONIST POLICIES THAT WERE DISTRIBUTIVE IN

NATURE, EMPHASIZING CONSUMPTION OVER PRODUCTION, PRICE

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OVER WAGE CONTROLS, INDUSTRY OVER AGRICULTURE, AND PUBLIC OVER PRIVATE SECTOR EXPANSION. THOSE POLICIES MUST BE MODIFIED AND, IN SOME CASES, REVERSED IN ORDER TO CHECK THE NATION'S DOWNWARD ECONOMIC SLIDE. SUCH A COURSE IS CRUCIAL NOT ONLY TO ACHIEVE DOMESTIC RECOVERY BUT ALSO TO ATTRACT THE FOREIGN INVESTMENT AND LOANS THAT ARGENTINA

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BADLY NEEDS.

11. EARLY INDICATIONS ARE THAT THE NEW ECONOMY MINISTER, JOSE MARTINEZ DE HOZ, PLANS TO IMPLEMENT AN AUSTERITY PROGRAM IN A PRAGMATIC, GRADUAL FASHION. THROUGH SUCH TACTICS, MARTINEZ DE HOZ AND THE JUNTA WILL ATTEMPT TO MINIMIZE THE ADVERSE IMPACT OF THE PROGRAM ON THE WORKING CLASS--THE SECTOR UPON WHICH THE HEAVIEST BURDEN WILL FALL, AND THE SECTOR THAT IS LEAST INCLINED BY EXPERIENCE OR TEMPERAMENT TO ACCEPT SACRIFICE.

12. THE JUNTA MUST HAVE LABOR'S COOPERATION IF ITS POLICIES ARE TO SUCCEED. THE UNIONS REMAIN A POWERFUL PRESSURE GROUP WHOSE ACTIVE OPPOSITION COULD FORCE THE GOVERNMENT TO CHOOSE BETWEEN:

(A)--ADOPTING INCREASINGLY COERCIVE MEANS TO IMPLEMENT ITS POLICIES; AND

(B)--MAKING POLICY CHANGES THAT WOULD STIFLE LABOR OPPOSITION BUT HINDER THE CHANCES FOR ECONOMIC RECOVERY.

LABOR'S DISASTROUS EXPERIENCE UNDER THE PERON GOVERNMENT MAY HAVE BEEN SUFFICIENT TO CONVINCE THE WORKERS THAT THE JUNTA'S APPROACH IS WORTH TRYING. NEGOTIATIONS BETWEEN THE ARMED FORCES AND THE UNIONS HAVE PRODUCED ENCOURAGING SIGNS IN THIS REGARD. NONETHELESS, MEMORIES ARE SHORT, AND IF AN AUSTERITY PROGRAM TRANSLATES INTO SUBSTANTIALLY HIGHER UNEMPLOYMENT AND AN APPRECIABLE DROP IN THE WORKERS' STANDARD OF LIVING, A MILITANT UNION RESPONSE COULD DEVELOP QUICKLY.

13. PUBLIC PERCEPTIONS CRUCIAL: TO BE SUCCESSFUL IN CONFRONTING THE TERRORIST AND ECONOMIC ISSUES, THE JUNTA MUST MAINTAIN THE IMAGE OF A UNITED, MODERATE, DISINTERESTED [REDACTED]

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FORCE SEEKING ONLY TO RESTORE ORDER AND PROSPERITY. A VINDICTIVE ATTITUDE TOWARD ANY GROUP EXCEPT THE TERRORISTS WOULD SERVE ONLY TO STIMULATE THE CHRONIC DIVISIVENESS THAT MAKES ARGENTINA DIFFICULT TO GOVERN UNDER THE BEST OF CIRCUMSTANCES.

14. LIKEWISE CRITICAL TO THE SUCCESS OF VIDELA'S GOVERNMENT WILL BE THE PUBLIC'S ACCEPTANCE OF IT AS THE ONLY

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VIAABLE ALTERNATIVE IN THE NEAR TERM. WHEN THE MILITARY EXITED IN 1973, THE PERONISTS AND THEIR ALLIES CONSTITUTED A FEASIBLE CIVILIAN RULING FORCE THAT COULD LEGITIMATELY EXPECT TO RULE ARGENTINA. TODAY, THERE IS NO GROUP, OR YET PERCEPTIBLE COALITION, THAT COULD FORM A MAJORITARIAN CIVILIAN GOVERNMENT. THIS UNDOUBTEDLY IS THE PREVAILING VIEW WITHIN MILITARY CIRCLES, AND IT SUGGESTS THAT THE MILITARY PROBABLY WILL RULE ARGENTINA FOR AT LEAST THE NEXT FOUR TO SIX YEARS. IF THE CIVILIANS SHARE THIS VIEW AND ACT ACCORDINGLY, THE JUNTA'S JOB WILL BE SOMEWHAT EASIER.

15. US INTERESTS: FROM THE US POINT OF VIEW, THE VIDELA GOVERNMENT PRESENTS NO IMMEDIATE PROBLEM. NEITHER US EMBASSY OFFICIALS NOR THE USG IN GENERAL HAS BEEN ACCUSED OF ENGINEERING OR SUPPORTING THE COUP. THE THREE SERVICE CHIEFS WHO CONSTITUTE THE JUNTA ARE PRO-US, ANTI-COMMUNIST OFFICERS WHO PROBABLY WILL IDENTIFY ARGENTINA INTERNATIONALLY WITH THE WEST AND WITH THE LDC MODERATES ON NORTH-SOUTH ISSUES. PENDING INVESTMENT DISPUTES PROBABLY WILL BE SETTLED QUICKLY IN ORDER TO ENHANCE THE JUNTA'S CHANCES FOR ATTRACTING FOREIGN INVESTMENT AND LOANS.

16. HUMAN RIGHTS COULD BECOME A PROBLEM AREA AS THE MILITARY CLAMPS DOWN ON TERRORISM. TO DATE, HOWEVER, THE JUNTA HAS FOLLOWED A REASONABLE, PRUDENT LINE IN AN OBVIOUS ATTEMPT TO AVOID BEING TAGGED WITH A "MADE IN CHILE" LABEL:

(A)--MASS ARRESTS HAVE NOT OCCURRED;

(B)--NO PARTY OR SECTOR, SAVE FOR THE TERRORISTS, HAS BEEN SINGLED OUT FOR PERSECUTION, NOT EVEN THE ORTHODOX [REDACTED]

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COMMUNIST PARTY;

(C)--REPEATED REASSURANCES HAVE BEEN ISSUED REGARDING RESPECT FOR HUMAN RIGHTS; AND

(D)--CARE HAS BEEN TAKEN TO PROVIDE A LEGAL FRAMEWORK WITHIN WHICH THE COUNTERTERRORIST CAMPAIGN CAN BE CONDUCTED

NONETHELESS, THE FIGHT AGAINST THE ERP AND THE MONTONEROS

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IS LIABLE TO BE AN EXTENDED ONE DURING WHICH HUMAN RIGHTS VIOLATIONS ARE BOUND TO OCCUR. IF THEY BECOME SO WIDE-SPREAD AS TO CONSTITUTE DE FACTO POLICY RATHER THAN

INFREQUENT PRACTICE, US-ARGENTINE RELATIONS COULD BE CAST IN A DIFFERENT LIGHT.

17. IF VIDELA'S MODERATE APPROACH FAILS, THE MOST LIKELY SUCCESSOR WOULD BE A MORE RIGIDLY CONSERVATIVE, HARD-LINE BRAND OF MILITARY RULE. HUMAN RIGHTS VIOLATIONS WOULD BE MORE LIKELY TO OCCUR UNDER SUCH CIRCUMSTANCES, AND US INVESTORS COULD BE EXPOSED TO A MORE NATIONALISTIC, LESS PRAGMATIC ENVIRONMENT WITH THE CONSEQUENT POTENTIAL FOR SERIOUS PROBLEMS IN US-ARGENTINE RELATIONS. KISSINGER

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